An Evaluative Study of Corporate Ethics and Governance (With Reference To Corporate Social Responsibility)

Saroj Bala Dewatwal

Assistant Professor,
Department of EAFM,
Faculty of commerce,
University of Rajasthan,
Jaipur-302004 Rajasthan

Abstract

The present paper explains the inter connectivity between corporate ethics and governance as a dimension of rational judgment in work life, professional growth and corporate social responsibility. Corporate ethics and business are inter liked and will remain same in future. An organization's long term success and profitability depends on its ability to respond to the business needs. Further the ethical conduct helps in achieving the targets of business in a rational manner. Ethics is the study of moral principles that guides the working of the business organization. Ethics studies the difference between right and wrong and in this regard various theories have been developed such as rationalism, egoism etc. Corporate ethics has came to be considered a management discipline, especially since the birth of the social responsibility movement in around the year 1960. Organizations follow the ethical code of conduct and rules of professional ethics to guide their managers and employees. However, sometimes self regulation and guidance proves insufficient to protect the interests of their stakeholders i.e. customers, organizations and society as a whole. At that point, need for regulation and enactment of legislation occur to protect the interest of all the parties. The ethical behavior and the corporate social responsibility are the two upgrading values in the business organizations. Ethical conduct increases the chances of future growth and enhances the efficiency of the organization by improving the work life of employees and the management.

Keywords- Ethics, governance, ethical behavior, work life, social responsibility, business rationalism and code of conduct.

Introduction

Business or corporate ethics is a form of professional ethics that examines ethical principles and moral or ethical problems that arise in a business environment. It applies to all aspects of business conduct and is relevant to the conduct of individuals and entire organizations. Business ethics has normative and descriptive dimensions. As a corporate practice and a career specialization, the field is primarily normative. Academics attempting to understand business behavior employ descriptive methods. The range and quantity of business ethical issues reflects the interaction of profit-maximizing behavior with non-economic concerns. Interest in business ethics accelerated dramatically during the 1980s and 1990s both within the major corporations & within academia. For example, most major corporations today promote their commitment to non-economic values under headings such as ethics codes and social responsibility charters. Adam Smith quoted people of the same trade seldom meet together, even for merriment and diversion but the conversation ends in a conspiracy against the public or in some contrivance to raise prices.

Government uses laws and regulations to point business behavior in what they perceive to be beneficial directions. Ethics implicitly regulates areas and details of behavior that lie beyond governmental control. The emergence of large corporations with limited relationships and sensitivity to the communities in which they operate accelerated the development of formal ethics regimes. The term 'business ethics' came into common use in the United States in the early 1970s. By the mid-1980s at least 500 courses in business ethics reached 40000 students using some twenty textbooks and at least ten casebooks along supported by professional societies, centers and journals of business ethics. The Society for business ethics was started in 1980. European business schools adopted business ethics after 1987 commencing with the European Business Ethics Network (EBEN). In 1982 the first single authored book in the field appeared. Firms started highlighting their ethical stature in the late 1980s and early 1990s possibly trying to distance themselves from the business scandals such as the savings and loan crisis.

Objective of study

The objective is to study the involvement of ethical behavior and its positive effect on work life of corporate sector. The active ethical code of conduct promotes rational judgment and corporate social responsibility.

Review of Literature

In this paper, secondary data has been used. It is collected through various books, reports, newspapers and journals. The study is made to know about application of ethical practices and the Government policies to protect the interest of various stakeholders. **Hypothesis**

The hypothesis of the study is to analyze the change in the business organizations due to increasing use of ethics and code of conduct. The positive impacts of legislatures are changing the psychology and structure of the corporate's leading to social and economic development by promoting and safeguarding the interests of the stakeholders.

Main Text and Findings

Business ethics plays a significant role in management development as well as for the growth prospects of the work force. Business ethics are being implemented in order to ensure that a certain level of trust exists between consumers & market participants of business. Ethics involves learning what is right or wrong and then doing the right thing but "the right thing" is not nearly as straight forward as conveyed in a great deal of business ethics literature. Many philosophers consider ethics to be the science of conduct. Values which guide how we ought to behave are considered moral values for example values such as respect, politeness, transparency, honesty, fairness, responsibility etc. Statements guiding how these values are applied are called moral or ethical principles. Thus guide us to manage ethics in the workplace. Business ethics reflects the philosophy of business whose aim is to determine the fundamental purposes of a company. One other important consideration is corporate social responsibility. An umbrella term indicating that an ethical business must act as a responsible citizen of the communities in which it operates even at the cost of profits or other goals. Ethical issues include the rights and duties between a company and its employees, suppliers, customers & neighbors. Other issues include corporate governance, corporate social entrepreneurship, political contributions and legal issues.

Organizations can manage ethics in their workplaces by establishing an ethics management program. The ethics programs convey corporate values using codes and policies to guide decisions & behavior and can include extensive training and evaluating depending on the nature of the organization. They provide guidance in ethical dilemmas. A corporate ethics program is made up of

values, policies and activities which impact the propriety of organization behaviors. Balancing competing values and reconciling them is the basic purpose of an ethics management program. However, business people need more practical tools and information to understand & to manage.

Developing Codes of Ethics

A code of practice is adopted by a profession or by a governmental or non-governmental organization to regulate that profession. A code of practice may be styled as a code of professional responsibility which will discuss difficult issues, difficult decisions that will often need to be made and provide a clear account of what behavior is considered "ethical" or "correct" or "right" in the circumstances. A leading business membership organization found that 76% of corporations accounts for codes of ethics. However, some business ethicists disagreed that codes have any value. Usually they explained that too much focus is put on the codes themselves and that codes themselves are not influential in managing ethics in the workplace. If an organization is large including several departments, the organization may want to develop an overall corporate code of ethics and then a separate code to guide each of departments. The ethics program must be driven by top management.

Ethical dilemmas and decisions

Often business ethics is presented as a matter of resolving conflicts in which one option appears to be the clear choice. For example, case studies are often presented in which an employee is faced with whether or not to lie, steal, cheat, abuse, break terms of a contract etc. However, ethical dilemmas faced by managers are often more real-to-life and highly complex with no clear guidelines, whether in law or often in religion. An ethical dilemma exists when one is faced with having to make a choice among various alternatives. Managing ethics and social responsibility in the workplace includes commitment, consciousness, competency and rationalization. Cultivating ethical culture is comprised of values, norms, folkways and behavior. Ethics is about moral values or values regarding right and wrong. Therefore, cultural assessments can be extremely valuable when assessing the moral values in an organization.

Corporate Governance and Ethics

Employees should always act lawfully, ethically and in the best interests. Code of business conduct and ethics sets the basic guiding principles. Compliance with rules and regulations is to be followed all the times. Avoiding of conflicts in employees by way of rational judgment is the need of the hour.

Suggestions to improve work life with ethics

Too many employees spend 9-to-5 in the workplace. Sometimes it may be unpleasant for some employees. These environments worsen job satisfaction and boost the urge to depart. The most effective ethics programs come from the top management but employees may also improve the ethical environment. Ethical behavior increases job satisfaction and the likelihood of remaining at one place for a longer duration. Ethical workplaces are more pleasant and stay together longer. It is seen that when one acts decently to others, then others also tend to respond in kind and thus leading to a better environment. Some suggestions include-

- Praising others achievements- this will build a culture of appreciation and encourage people to act better.

Email id's:- **aiirjpramod@gmail.com,aayushijournal@gmail.com I Mob.08999250451**
website :- **www.aiirjournal.com I UGC Approved Sr.No.64259**

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- Sharing knowledge- it is suggested to devote time and expertise freely to coworkers. When one helps others everyone gets benefited. Studies have shown that sharing is the hallmark of an effective personality.

- Don't condemn or criticize others - give them a chance to prove their potential and have a sympathetic consideration.

- Evaluate yourself- people should spend time for judging themselves rather than watching and judging others.

- Forgiving others- no one is perfect. Helping people in dealing with mistakes and supporting them in their efforts to improve are always welcomed.

- Introducing common values to increase mutual understanding such as trustworthiness, respect, responsibility, fairness, caring and citizenship.

- Avoiding the silence and having a well communication network.

- Have faith in competencies. Do not consider consequences of failure more than the rewards of success.

- Credit-hogging- avoiding of taking credit for others work by claiming responsibility for a group report.

- Scapegoating- faulting others for own bad decisions or poor results.

- Detail skipping- paying insufficient attention to small things.

Conclusion

In the present world of competition, different business organizations are moving ahead to capture the growth opportunities and to mark their presence and potential. Ethical policies play an integrated role in corporate social responsibility. With ethical conduct, the firms have widened their share in the global environment through synergy of all round financial growth and improved work life. Business ethics reflects the philosophy and aim of the business. Ethical issues highlight the rights and duties between a company and its employees, suppliers, customers, neighbors & shareholders. Related issues include corporate governance, social entrepreneurship, political contributions and legal issues with corporation's ethical policies.

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